

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 PA-01 PRS-01 USIA-06 AGR-05 FEA-01

NEA-09 /104 W

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R 051753Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7753

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY BERN

AMEMBASSY VIENNA

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L SECTION 01 OF 02 BONN 02018

C O R R E C T E D C O P Y (TO TEXTS ADD TAGS, AND EO)

E.O. 11652: GDS

TAGS: PFOR, EGEN, GW, FR

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SUBJECT: SCHMIDT/GISCARD MEETING: ECONOMIC ASPECTS

1. SUMMARY. DURING THEIR SEMI-ANNUAL CONSULTATIONS, THE GERMANS AND FRENCH REACHED GENERAL AGREEMENT ON A NUMBER OF ISSUES RELATING TO THE CONSUMER/PRODUCER PREPARATORY CONFERENCE. THE DISCUSSION OF AN EC/IRANIAN PREFERENTIAL AGREEMENT WAS INCONCLUSIVE. ALTHOUGH CONSIDERABLE ATTENTION WAS GIVEN TO AGRICULTURAL ISSUES THE GAP BETWEEN GERMANS AND FRENCH POSITIONS REMAINS WIDE. THE TWO SIDES AGREED THAT PROGRESS WAS BEING MADE IN UK RENEGOTIATION ISSUES BUT FAILED TO AGREE ON TARIFF REDUCTION TARGETS FOR THE MTN. END SUMMARY.

2. THE ECONOMIC/COMMERCIAL MINISTER CALLED ON ECONOMICS MINISTRY DIRECTOR FOR COMMUNITY AFFAIRS EVERLING TO DISCUSS THE ECONOMIC ASPECTS OF THE JUST CONCLUDED GERMAN/FRENCH SEMI-ANNUAL CONSULTATIONS. EVERLING WHO ACCOMPANIED ECONOMICS MINISTER FRIDERICH TO PARIS PROVIDED A RUNDOWN OF THE PRINCIPAL TOPICS DISCUSSED.

3. MUCH OF THE DISCUSSION CENTERED ON ENERGY ISSUES. THERE WAS A GENERAL CONSENSUS THAT THE PRECONDITIONS HAD BEEN MET AND THAT THE PREPARATORY MEETING BETWEEN CONSUMER AND PRODUCER COUNTRIES COULD TAKE PLACE AS SCHEDULED IN LATE MARCH. EVERLING STATED THAT IN HIS REMARKS SAUVAGNARGUES HAD STRESSED THE NEED FOR PARALLELISM IN WORKING OUT CONSUMER SOLIDARITY WHILE MOVING AHEAD WITH THE DIALOGUE WITH PRODUCERS. THERE WAS ALSO AGREEMENT THAT THE LIST OF INVITEES TO THE PREPARATORY CONFERENCE WOULD BE DRAWN FROM THE ORIGINAL YAMANI PROPOSAL. IN THIS WAY IT IS HOPED THAT THE MAJOR CONSUMER COUNTRIES COULD DUCK THE ONUS FOR EXCLUDING OTHER COUNTRIES WHO MIGHT FEEL THAT THEY SHOULD BE PERMITTED TO ATTEND THE CONFERENCE. EVERLING SAID HE THOUGHT THAT THE COMMUNITY SHOULD BE ABLE TO WORK OUT A COMMON POSITION FOR THE PREPARATORY MEETING SO THAT THE EC COULD REPRESENT ALL MEMBER COUNTRIES. HE ADDED THAT IT MIGHT BE MUCH MORE DIFFICULT TO REACH A COMMON

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POSITION FOR THE CONFERENCE ITSELF. EVERLING REPORTED THAT SAUVAGNARGUES SAID HE WOULD CONSULT WITH THE US BEFORE ISSUING INVITATIONS TO THE PREPARATORY MEETING.

4. ON OTHER ISSUES EVERLING REPORTED AGREEMENT THAT 1973 NOT 1974 SHOULD BE THE BASE YEAR FOR ANY RECKONING OF FUTURE CONSERVATION TARGETS. HE SAID

THERE WAS ALSO AGREEMENT THAT FLOOR PRICE FOR PETROLEUM PRODUCTS SHOULD NOT BE SET SO HIGH THAT IT WOULD DISCOURAGE PRODUCING COUNTRIES FROM LOWERING THEIR PRICES. EVERLING MENTIONED A PRICE OF \$5-6 PER BARREL AS A BALLPARK FIGURE.

5. EVERLING STRESSED THE COOPERATIVE FRENCH ATTITUDE IN DEALING WITH IEA ISSUES. HE ALSO EMPHASIZED THE EXTREME IMPORTANCE OF THE PREPARATORY CONFERENCE IN TERMS OF INTERNAL FRENCH POLITICS AND NOTED THAT GISCARD WAS UNDER CONSTANT ATTACK FROM GAULLISTS FOR NOT TAKING A HARDER LINE AGAINST THE IEA. SHOULD GISCARD FAIL TO PRODUCE A MEETING HE WOULD BE ACCUSED OF A SELL-OUT IN MARTINIQUE. HE POINTED OUT THAT DOMESTIC FRENCH POLITICAL CONSIDERATIONS PLAYED AN IMPORTANT ROLE IN GERMAN POLICY VIS-A-VIS THE PREPARATORY CONFERENCE.

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NEA-09 /103 W

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6. ON A SEPARATE ENERGY ISSUE, EVERLING NOTED THAT
SCHMIDT AND GISCARD HAD DISCUSSED THE PROPOSED
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PREFERENTIAL TRADE ARRANGEMENT FOR IRAN. HE SAID NO
DECISION WAS REACHED AND IT WAS AGREED THAT THE EC
COUNCIL AND PERMANENT REPRESENTATIVES WOULD CONTINUE
THEIR DISCUSSION OF THIS PROBLEM. EVERLIN
NOTED THAT SAUVAGNARGUES' REMARKS ON THIS ISSUE WERE
"VERY CAUTIOUS." HE POINTED OUT THAT THE FRENCH
DECISION TO SUPPORT AN EC/IRANIAN PREFERENTIAL
ARRANGEMENT PLACED THE FRG IN AN EXTREMELY DELICATE
POSITION. ON THE ONE HAND IF THE FRG DID NOT GO AS
FAR AS THE FRENCH THEY WOULD IRRITATE THE SHAH AND
IF THEY DID THEY WOULD IRRITATE THE US. HE STRESSED
THAT A MAJOR GERMAN GOVERNMENT CONCERN WAS TO AVOID
BEING A SCAPEGOAT IN CASE NEGOTIATIONS FOR THE PROPOSED 25
MILLION TON GERMAN/IRANIAN PETROLEUM PROJECT WERE
TO BREAKDOWN FOR ONE REASON OR ANOTHER.

7. TURNING TO AGRICULTURE, EVERLING NOTED THAT THERE
WERE SEVERAL AREAS OF DISAGREEMENT BETWEEN THE GERMANS
AND THE FRENCH. THE FRENCH SOUGHT AN INCREASE IN THE
OVERALL PRICE LEVEL OF A MAXIMUM OF TEN PERCENT WITH
ADDITIONAL DOMESTIC SUBSIDIES ON A PRODUCT BASIS. THE
GERMANS HOWEVER WANT TO LIMIT THE OVERALL PRICE IN-
CREASE TO A MAXIMUM OF SIX PER CENT AND TO LIMIT
DOMESTIC MEASURES TO SOCIAL OR REGIONAL SUBSIDIES.
THE GERMANS WOULD LIKE TO KEEP BEEF AND MILK PRICE
INCREASES BELOW THE AVERAGE AMOUNT WHILE THE FRENCH
WOULD LIKE INCREASES IN THIS SECTOR OF AROUND 14 PER-
CENT. FRANCE WOULD ALSO LIKE ADDITIONAL INCENTIVES
FOR BEEF PRODUCTION; ON THIS AS WITH AIDS FOR "HILL

FARMERS" THE GERMANS WERE OPPOSED. THE FRENCH WANT TO ELIMINATE OR DRASTICALLY CUT BACK THE BORDER ADJUSTMENT TAXES WHICH EVERLING STATED ARE ALMOST A POLITICAL UNTOUCHABLE IN GERMANY. WITH REGARD TO THE COMMUNITY'S AGRICULTURAL POLICY IN GENERAL EVERLING STATED THAT GISCARD'S REMARKS GAVE THE IMPRESSION THAT HE WAS GIVING SERIOUS THOUGHT TO THE ENTIRE COMMUNITY APPROACH TO AGRICULTURE BUT THE GERMANS DID NOT GET ANY SPECIFIC INDICATIONS OF WHAT THE FRENCH HAD IN MIND. HE DID SAY HOWEVER THAT THE FRENCH STILL FAVORED NATIONAL MEASURES FOR SPECIFIC PRODUCTS WHICH THE GERMANS FEAR WOULD LEAD TO SEVERE PROBLEMS OF OVER
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PRODUCTION.

8. OTHER PRINCIPAL ECONOMIC ISSUES DISCUSSED WERE UK RE-NEGOTIATION AND MTN. ON THE FORMER THERE WAS A CONSENSUS THAT THE COMMISSION'S PROPOSALS PROVIDE GOOD BASIS FOR FORWARD PROGRESS ALTHOUGH THE GERMANS AND FRENCH HAVE SOME MODIFICATIONS TO SUGGEST. ON THE LATTER THEY WERE UNABLE TO GET THE FRENCH TO AGREE ON A SPECIFIC TARGET FIGURE FOR TARIFF REDUCTIONS. THE FRENCH CONTINUE TO INSIST ON THEIR HARMONIZATION APPROACH AND DO NOT ACCEPT THE NEED FOR SUBSTANTIAL OVERALL REDUCTIONS. THE ISSUE OF AGRICULTURE IN THE MTN WAS NOT DISCUSSED IN ANY DETAIL.
HILLENBRAND

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